

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Village of Beulah</b>	County <b>Benzie</b>
Audit Date <b>12/31/04</b>	Opinion Date <b>3/23/05</b>	Date Accountant Report Submitted to State: <b>6/30/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>J L Stephan Co, PC</b>			
Street Address <b>862 E. Eighth St.</b>	City <b>Traverse City</b>	State <b>MI</b>	ZIP <b>49686</b>
Accountant Signature 		Date <b>6/30/05</b>	

# **VILLAGE OF BEULAH**

*Benzie County, Michigan*

*Audited Financial Statements*

*For the Year Ended December 31, 2004*

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FINANCIAL SECTION



# J L Stephan Co PC

Certified Public Accountants

Jerry L. Stephan, CPA

Marty Szasz, CPA  
David Skibowski, Jr., CPA

## INDEPENDENT AUDITOR'S REPORT

To the Village Council  
Village of Beulah  
Beulah, MI 49617

We have audited the accompanying financial statements of the governmental activities of the Village of Beulah as of and for the year ended December 31, 2004 as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with accounting standards generally accepted in the United States of America. These standards require that we plan and perform the audit to provide reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Village as of December 31, 2004 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United State of America.

As described in Note 1, the Village has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of January 1, 2004. The accompanying statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of the basic financial statements.

The budgetary comparison information on pages 23-26 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Village of Beulah. The combining non-major fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*J. L. Stephan Co. P.C.*

March 23, 2005

**Village of Beulah**  
*Government Wide*  
**Statement of Net Assets**  
*December 31, 2004*

*Exhibit A*

	<i>Governmental Activities</i>	<i>Business Type Activities</i>	<i>Total</i>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 1,003,887	\$ 221,730	\$ 1,225,617
Investments	-	-	-
Receivables	19,406	48,655	68,061
Inventory	3,441	-	3,441
Capital Assets	337,024	2,414,348	2,751,372
<i>Total Assets</i>	<u>1,363,758</u>	<u>2,684,733</u>	<u>4,048,491</u>
<b>Liabilities</b>			
Accounts Payable	-	-	-
Accrued and Other Liabilities	5,418	-	5,418
Due to Other Funds	31,033	-	31,033
Deferred Revenue	19,406	-	19,406
Non-Current Liabilities			
Due within one year	20,000	60,000	80,000
Due within more than on year	20,000	964,127	984,127
<i>Total Liabilities</i>	<u>95,857</u>	<u>1,024,127</u>	<u>1,119,984</u>
<b>Net Assets</b>			
Invested in Capital Assets - net of related debt	337,024	1,390,221	1,727,245
Restricted			
Debt Service	21,449	213,957	235,406
Unrestricted	909,428	56,428	965,856
<i>Total Net Assets</i>	<u>\$ 1,267,901</u>	<u>\$ 1,660,606</u>	<u>\$ 2,928,507</u>

*The Notes to Financial Statements are an integral part of this statement*

**Village of Beulah**  
Government Wide  
Statement of Activities  
For the Year Ended December 31, 2004

*Exhibit B*

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<i>Primary Government</i>							
General Government	\$ 144,567	\$ 6,000	\$ -	\$ -	\$ (138,567)		\$ (138,567)
Public Safety	23,665	-	-	-	(23,665)		(23,665)
Public Works	107,006	10,637	50,275	-	(46,094)		(46,094)
Health and Welfare	-	-	-	-	-		-
Community and Economic Development	14,489	950	-	-	(13,539)		(13,539)
Recreation and Culture	47,848	92,041	-	-	44,193		44,193
Internal Service Fund	43,622	51,246	-	-	7,624		7,624
Interest on Long-Term Debt	2,780	-	-	-	(2,780)		(2,780)
<i>Total Governmental Activities</i>	<u>383,977</u>	<u>160,874</u>	<u>50,275</u>	<u>-</u>	<u>(172,828)</u>		<u>(172,828)</u>
<i>Business-Type Activities</i>							
Water & Sewer	435,165	158,972	-	-	-	\$ (276,193)	(276,193)
<i>Total Primary Government</i>	<u>\$ 819,142</u>	<u>\$ 319,846</u>	<u>\$ 50,275</u>	<u>\$ -</u>	<u>(172,828)</u>	<u>(276,193)</u>	<u>(449,021)</u>
<i>General Revenues</i>							
					181,205	43,266	224,471
Property Taxes					32,299	-	32,299
State Shared Revenues					-	55,732	55,732
Sewer Debt Fees					9,849	3,966	13,815
Interest					3,932	-	3,932
Refunds					699	-	699
Miscellaneous					(500)	-	(500)
Disposal/Sale of Assets					(25,000)	25,000	-
Net Transfers In/(Out)					202,484	127,964	330,448
<i>Total General Revenues and Transfers</i>					<u>29,656</u>	<u>(148,229)</u>	<u>(118,573)</u>
<i>Change in Net Assets</i>					1,238,245	1,808,835	3,047,080
Net Assets - Beginning							
Net Assets - Ending					<u>\$ 1,267,901</u>	<u>\$ 1,660,606</u>	<u>\$ 2,928,507</u>

The Notes to Financial Statements are an integral part of this statement



**Village of Beulah***Governmental Funds**Balance Sheet**December 31, 2004**Exhibit C*

	<i>General</i>	<i>Major Streets</i>	<i>Local Streets</i>	<i>Non-Major Governmental Funds</i>	<i>Total</i>
<b>Assets</b>					
Cash - Unrestricted	\$ 622,847	\$ 50,809	\$ 10,608	\$ 274,654	\$ 958,918
Taxes & Fees Receivable	18,631	-	-	775	19,406
Inventory	3,441	-	-	-	3,441
Due from Other Funds	-	-	-	-	-
<i>Total Assets</i>	<u>644,919</u>	<u>50,809</u>	<u>10,608</u>	<u>275,429</u>	<u>981,765</u>
<b>Liabilities</b>					
Payroll Liabilities	5,418	-	-	-	5,418
Due to Other Funds	31,033	-	-	-	31,033
Deferred Revenue	18,631	-	-	775	19,406
<i>Total Liabilities</i>	<u>55,082</u>	<u>-</u>	<u>-</u>	<u>775</u>	<u>55,857</u>
<b>Fund Balances</b>					
Fund Balances - Unreserved	<u>589,837</u>	<u>50,809</u>	<u>10,608</u>	<u>274,654</u>	<u>925,908</u>
<i>Total Fund Balances</i>	<u>\$ 589,837</u>	<u>\$ 50,809</u>	<u>\$ 10,608</u>	<u>\$ 274,654</u>	<u>925,908</u>

*The Notes to Financial Statements are an integral part of this statement*

**Village of Beulah**  
*Reconciliation of the Balance Sheet  
to the Statement of Net Assets  
December 31, 2004*

*Exhibit D*

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Fund Balance - Total Governmental Funds (Exhibit C)	\$ 925,908
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*Amounts reported for governmental activities in the statement of net assets  
are different because:*

General Governmental Capital Assets of \$625,150 net of accumulated depreciation of (\$422,543) are not financial resources and not reported in the funds.	202,607
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets	179,386
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Some Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported in the fund.	<u>(40,000)</u>
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Net Assets of Governmental Activities	<u><u>\$ 1,267,901</u></u>
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**Village of Beulah**  
**Governmental Fund**  
**Statement of Revenue, Expenditures**  
**and Changes on Fund Balance**  
**For the Year Ended December 31, 2004**

*Exhibit E*

	<i>General Fund</i>	<i>Major Streets Fund</i>	<i>Local Streets Fund</i>	<i>Non-Major Governmental Funds</i>	<i>Total Governmental Funds</i>
<i>Revenues</i>					
Property Taxes	\$ 173,994	\$ -	\$ -	\$ 7,211	\$ 181,205
Licenses & Permits	11,100	-	-	-	11,100
State Grants	32,299	34,958	15,317	-	82,574
Charges for Services	73,088	-	-	-	73,088
Interest Earned	5,733	160	41	3,804	9,738
Rentals	25,440	-	-	-	25,440
Refunds	3,003	-	-	-	3,003
Miscellaneous Income	699	-	-	-	699
<i>Total Revenues</i>	<u>325,356</u>	<u>35,118</u>	<u>15,358</u>	<u>11,015</u>	<u>386,847</u>
<i>Expenditures</i>					
General Government	139,097	-	-	-	139,097
Public Safety	23,665	-	-	-	23,665
Public Works	23,306	41,861	89,414	-	154,581
Health and Welfare	-	-	-	-	-
Community and Economic Dev.	14,489	-	-	-	14,489
Recreation and Culture	40,060	-	-	-	40,060
Other Functions	-	-	-	-	-
Debt Service	-	-	-	22,780	22,780
<i>Total Expenditures</i>	<u>240,617</u>	<u>41,861</u>	<u>89,414</u>	<u>22,780</u>	<u>394,672</u>
<i>Excess Revenues Over (Under) Expenditures</i>	84,739	(6,743)	(74,056)	(11,765)	(7,825)
<i>Other Financing Sources (Uses)</i>					
Operating Transfers In	-	25,000	80,000	-	105,000
Operating Transfers (Out)	(130,000)	-	-	-	(130,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(130,000)</u>	<u>25,000</u>	<u>80,000</u>	<u>-</u>	<u>(25,000)</u>
<i>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</i>	(45,261)	18,257	5,944	(11,765)	(32,825)
Fund Balance - Beginning	635,098	32,552	4,664	286,419	958,733
Fund Balance - Ending	<u>\$ 589,837</u>	<u>\$ 50,809</u>	<u>\$ 10,608</u>	<u>\$ 274,654</u>	<u>\$ 925,908</u>

*The Notes to Financial Statements are an integral part of this statement*

**Village of Beulah**  
*Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended December 31, 2004*

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*Exhibit F*

Change in Fund Balance - Total Governmental Funds (Exhibit E)	\$ (32,825)
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Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$48,847) exceeds depreciation (\$14,530) in the current period.	34,317
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Payment of Long-Term Debt - Debt Service Fund	20,000
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) is reported with governmental activities	8,164
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Change in net assets of governmental activities (Exhibit B)	\$ 29,656
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**Village of Honor**  
*Proprietary Fund*  
**Statement of Net Assets**  
*December 31, 2004*

*Exhibit G*

	<i>Enterprise</i>	<i>Internal Service</i>
<b>Assets</b>		
<i>Current Assets</i>		
Cash-Unrestricted	\$ 7,773	\$ 44,969
Taxes Receivable	4,696	-
Accounts Receivable	43,959	-
	<hr/>	<hr/>
<i>Total Current Assets</i>	56,428	44,969
<i>Non-current Assets</i>		
Cash-Restricted	213,957	-
Capital Assets - net	2,414,348	134,417
	<hr/>	<hr/>
<i>Total Non-current Assets</i>	2,628,305	134,417
	<hr/>	<hr/>
<i>Total Assets</i>	2,684,733	179,386
	<hr/>	<hr/>
<b>Liabilities</b>		
Bonds Payable	1,024,127	-
Due to Other Funds	-	-
	<hr/>	<hr/>
<i>Total Liabilities</i>	1,024,127	-
	<hr/>	<hr/>
<b>Net Assets</b>		
Invested in Capital Assets - net of debt	1,390,221	134,417
Restricted for Debt Service	213,957	-
Unrestricted	56,428	44,969
	<hr/>	<hr/>
<i>Total Net Assets</i>	<u>\$ 1,660,606</u>	<u>\$ 179,386</u>

*The Notes to Financial Statements are an integral part of this statement*

**Village of Beulah**  
*Proprietary Fund*  
**Statement of Revenue, Expenses**  
*and Changes in Net Assets*  
**For the Year Ended December 31, 2004**

*Exhibit H*

	<i>Enterprise</i>	<i>Internal Service</i>
<i>Operating Revenues</i>		
Water Sales	\$ 70,817	\$ -
Sewer Sales	72,174	-
Other Charges & Sales	13,613	-
Rentals	-	51,246
Refunds	2,368	929
<i>Total Operating Revenues</i>	<u>158,972</u>	<u>52,175</u>
<i>Operating Expenses</i>		
Personal Services	44,047	6,477
Supplies	24,250	8,029
Contractual Services	158,888	-
Utilities	15,715	570
Repairs & Rentals	37,378	1,159
Other Service & Charges	7,330	4,397
Depreciation	120,579	22,990
<i>Total Operating Expenses</i>	<u>408,187</u>	<u>43,622</u>
<i>Operating Income (Loss)</i>	(249,215)	8,553
<i>Non-Operating Revenues (Expenses)</i>		
Property Taxes	43,266	-
Sewer Debt Fees	55,732	-
Interest Earned	3,966	111
Gain (Loss) on Sale of Assets	-	(500)
Bond Interest Expense	(26,978)	-
	<u>75,986</u>	<u>(389)</u>
<i>Income (Loss) Before Transfers</i>	(173,229)	8,164
Operating Transfer In	25,000	-
Operating Transfer (Out)	-	-
<i>Net Operating Transfers In (Out)</i>	<u>25,000</u>	<u>-</u>
<i>Net Income (Loss)</i>	(148,229)	8,164
<i>Retained Earnings - Beg of Year</i>	<u>1,808,835</u>	<u>171,222</u>
<i>Retained Earnings - End of Year</i>	<u><u>\$ 1,660,606</u></u>	<u><u>\$ 179,386</u></u>

*The Notes to Financial Statements are an integral part of this statement*

**Village of Beulah**  
*Proprietary Fund*  
**Statement of Cash Flows**  
For the Year Ended December 31, 2004

*Exhibit I*

	<i>Enterprise</i>	<i>Internal Service</i>
<b>Cash Flows From Operating Activities</b>		
Operating income (loss)	\$ (249,215)	\$ 8,553
<i>Adjustments to reconcile operating income to net cash provided by operating activities</i>		
Depreciation	120,579	22,990
<i>(Increase) decrease in Current Assets</i>		
Accounts Receivable	4,965	
Due from Other Funds	5,802	2,000
<i>Increase (decrease) in Current Liabilities</i>		
Accounts Payable	-	-
Due to other funds	-	-
<b>Net Cash Flows From Operating Activities</b>	(117,869)	33,543
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds of Bond Issue		
Property Tax Revenue	43,266	-
Sewer Debt Fees	55,732	-
Bond Principle Payments	(55,000)	-
Proceeds from Sale of Capital Assets	-	400
Acquisition of Capital Assets	(20,742)	(8,629)
Net transfers	25,000	-
Interest Expense	(26,978)	-
<b>Net Cash Flows From Capital and Related Financing Activities</b>	21,278	(8,229)
<b>Cash Flows From Investing Activities</b>		
Interest Income	3,966	111
<b>Net Cash Flows From Investing Activities</b>	3,966	111
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(92,625)	25,425
<b>Cash and Cash Equivalents at Beginning of Year</b>	314,355	19,544
<b>End of Year</b>	<u>\$ 221,730</u>	<u>\$ 44,969</u>

*The Notes to Financial Statements are an integral part of this statement*

**Village of Beulah**  
*Fiduciary Fund*  
**Statement of Net Assets**  
*December 31, 2004*

*Exhibit J*

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	<i>Beulah Trailhead &amp; Visitor's Center</i>
<b>Assets</b>	
Cash	\$           -
Due From Other Funds	<u>31,033</u>
<i>Total Assets</i>	<u>31,033</u>
<b>Liabilities</b>	
Accounts Payable	<u>-</u>
<i>Total Liabilities</i>	<u>-</u>
<b>Net Assets</b>	
Held in Trust for Construction of Visitor's Center	<u><u>\$    31,033</u></u>

*The Notes to Financial Statements are an integral part of this statement*



**Village of Beulah**  
*Fiduciary Fund*  
*Statement of Changes in Net Assets*  
*For the Year Ended December 31, 2004*

*Exhibit K*

	<i>Beulah Trailhead &amp; Visitor's Center</i>
<i>Additions</i>	
Contributions	<u>\$ 40,750</u>
<i>Total Contributions</i>	40,750
Interest Income	<u>-</u>
<i>Total Additions</i>	<u>40,750</u>
<i>Deductions</i>	
Construction Costs	<u>9,717</u>
<i>Total Deductions</i>	<u>9,717</u>
<i>Change in Net Assets</i>	31,033
Net Assets - Beginning of Year	<u>-</u>
Net Assets - End of Year	<u><u>\$ 31,033</u></u>

*The Notes to Financial Statements are an integral part of this statement*

**Village of Beulah**  
*Notes to Financial Statements*  
*For the Year Ended December 31, 2004*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Village of Beulah have been prepared in accordance with generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

Effective January 1, 2004, the Village adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in these statements include the following:

- Depreciation on capital assets of the Village.
- Financial statements using the accrual basis of accounting for all the Village's activities as adjusted for capital assets and depreciation.
- A change in fund financial statements to focus on major funds.

**A. Reporting Entity**

The Village of Beulah was incorporated in 1932 as a home rule Village. The Village operates under a charter adopted January 25, 1932, as amended and is governed by an elected President-Council form of government. The Village population as of the 2000 census was 363 and the current state taxable valuation is \$20,867,031.

The criteria established by Statement 14 of the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements are based primarily on the concept of financial accountability. On this basis, accordingly, the financial statements of certain other governmental organizations are not included in the financial statements of the Village.

*Beulah Public Library* - The Beulah Public Library is located in the Village Hall Building and serves the general public. The Library Board is not appointed, controlled by or responsible to the Village Council. Library operations and management functions are totally separate from the Village and the Library is required to have a separate audit of its financial statements. Based on these facts, the Village does not consider the Library as part of its reporting entity and does not include the financial activity of the Library Board in these financial statements.

**B. Government –Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

**Village of Beulah**  
*Notes to Financial Statements*  
*For the Year Ended December 31, 2004*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Village collects property taxes between July 1 and September 1. After this time, the taxes become delinquent and must be paid at the County Treasurer's office. The County pays the Village for uncollected taxes from the proceeds of revolving tax notes. Personal property taxes are the responsibility of the Village to collect. Delinquent real property taxes receivable are offset by deferred revenue on the Village's balance sheet, as these accounts are not normally received within sixty days of year-end, and are therefore not available to finance current operations.

The local unit reports the following major governmental funds:

*General Fund* - This Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state distributions, and other intergovernmental revenues.

**Village of Beulah**  
*Notes to Financial Statements*  
*For the Year Ended December 31, 2004*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

*Special Revenue Funds* – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The major Special Revenue Funds maintained by the Village are the Major and Local Street Funds.

The Village also maintains the following non-major Special Revenue Funds: Public Improvement Fund, Water and Sewer Improvement Fund and Debt Service Fund.

The local unit reports the following major proprietary fund:

*Enterprise Funds* - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The Water & Sewer Fund is operated with the intention that the cost of providing water services to the public will be financed or recovered primarily through charges to users.

Additionally, the government reports the following fund types:

*Internal Service Fund* - Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments on a cost-reimbursement basis. The Village operates a Motor Vehicle Equipment Pool Fund.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are changes between the government's sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

**Village of Beulah**  
*Notes to Financial Statements*  
*For the Year Ended December 31, 2004*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary fund relates to charges to customers for sales and services, including tape fees intended to recover current costs such as labor and material to hook up new customers. The portion of charges intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

**D. Assets, Liabilities, and Net Assets or Equity**

*Bank Deposits and Investments* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

*Accounts Receivable* - Accounts Receivable are recorded in the Water Fund at the time customers are billed for current services. Uncollected delinquent accounts are placed on the customer's tax bill in the summer and any amounts not collected by the Village are turned over to the County.

*Inventories* - Proprietary Fund type inventories are considered to be immaterial at year-end, and thus are not reflected in the Financial Statement. General Fund inventories consist of garbage bags to be resold and are recorded at cost.

*Restricted Assets* – The revenue bonds of the enterprise fund require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and bond reserve. These amounts have been classified as restricted assets.

*Capital Assets* – capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Generally, capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation has been provided on these fixed assets using the straight line method over there estimated useful lives.

- |                                  |             |
|----------------------------------|-------------|
| • Furniture and Office Equipment | 5 years     |
| • Maintenance Equipment          | 7 years     |
| • Park Equipment and Structures  | 10 years    |
| • Buildings and Improvements     | 30 years    |
| • Water & Sewer Fund             | 10-50 years |
| • Motor Vehicle Fund             | 5-10 years  |

**Village of Beulah**  
*Notes to Financial Statements*  
*For the Year Ended December 31, 2004*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

*Long-Term Obligations* - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

*Fund Equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets**

The General Fund and Special Revenue Fund types are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis not significantly different from the modified accrual basis and used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Village.

In the body of the financial statements the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a function basis. The approved budgets of the Village for these budgetary funds were adopted at the activity level.

Encumbrance accounting is not used and appropriations lapse at year-end.

**B. Budget Compliance**

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the current year, the Village incurred the following expenditures in excess of the amounts appropriated.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund: Village Council	\$ 16,100	\$ 17,071	\$ (971)
General Fund: Accounting	8,500	8,940	(440)
General Fund: Zoning	13,000	14,489	(1,489)

The general obligation bond ordinance allows for a tax levy sufficient to service current debt payments. There is currently a surplus of excess taxes collected in this fund of over \$21,450. Cash needs through summer tax levy are less than \$1,400.

The 1999 Unlimited Tax Bond ordinance allows for a tax levy sufficient to service current debt payments. There is currently a surplus of excess taxes collected in this fund of approximately \$58,650. Cash needs through summer tax levy are approximately \$11,500.

**Village of Beulah**  
*Notes to Financial Statements*  
*For the Year Ended December 31, 2004*

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**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - continued**

The 1999 Limited Tax Bond allows for a tax levy or debt fee sufficient to service current debt payments. There is currently a surplus of excess fees collected in this fund of approximately \$155,300. Cash needs through the first quarter are approximately \$1,500. The total bond principal due over the next 15 years is only \$115,000.

**NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS**

*A. Legal or Contractual Provisions for Deposits and Investments*

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943 as amended by act No. 217, Public Acts of 1982 and Public Act 196 of 1997, states the Village, by resolution, may authorize the Treasurer to invest surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection 2.
3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase.
4. In banker's acceptances of United States banks.
5. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

*B. Types of Deposits and Investments*

The Village maintains all its surplus funds with local banks in the form of savings/checking accounts and certificates of deposit. Interpreting FDIC rules regarding the \$100,000 insurance limit to apply separately to the demand and time deposits of public units, GASB statement 3 risk disclosures for the Village are as follows:

Types of Deposits and Investments:

<u>Deposit</u>	<u>Amount</u>
FDIC Insured	\$ 100,000
Uninsured	<u>1,125,617</u>
Total Deposits	<u>\$1,225,617</u>

**Village of Beulah**  
*Notes to Financial Statements*  
For the Year Ended December 31, 2004

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**NOTE 4 - SUMMARY OF CAPITAL ASSETS**

Capital asset activity or the primary government for the current year is summarized as follows:

*Governmental Activities*

	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 29,781	\$ -	\$ -	\$ 29,781
<i>Capital Assets Being Depreciated</i>				
Land Improvements	69,497	-	-	69,497
Buildings	288,902	-	-	288,902
Equipment	188,123	-	-	188,123
Roads/Paving	-	48,847	-	48,847
<i>Internal Service Fund- Motor Vehicle Equip.</i>	<u>290,694</u>	<u>8,628</u>	<u>(1,000)</u>	<u>298,322</u>
	<u>837,216</u>	<u>57,475</u>	<u>(1,000)</u>	<u>893,691</u>
<i>Accumulated Depreciation</i>				
Land Improvements	(17,035)	(2,126)	-	(19,161)
Buildings	(230,988)	(5,470)	-	(236,458)
Equipment	(159,990)	(5,662)	-	(165,652)
Roads/Paving	-	(1,272)	-	(1,272)
<i>Internal Service Fund- Motor Vehicle Equip.</i>	<u>(141,015)</u>	<u>(22,990)</u>	<u>100</u>	<u>(163,905)</u>
	<u>(549,028)</u>	<u>(37,520)</u>	<u>100</u>	<u>(586,448)</u>
<i>Net Capital Assets being Depreciated</i>	<u>288,188</u>	<u>19,955</u>	<u>(900)</u>	<u>307,243</u>
<i>Total Capital Assets of Governmental Activities – Net of Depreciation</i>	<u>\$ 317,969</u>	<u>\$ 19,955</u>	<u>\$ (900)</u>	<u>\$ 337,024</u>



**Village of Beulah**  
*Notes to Financial Statements*  
For the Year Ended December 31, 2004

**NOTE 4 - SUMMARY OF CAPITAL ASSETS - continued**

*Business-Type Activities*

	Beginning Balance	Additions	Deletions	Ending Balance
Water Plant & Systems	\$1,284,001	\$ 20,742	\$ -	\$1,304,743
Sewage System	<u>2,649,566</u>	<u>-</u>	<u>-</u>	<u>2,649,566</u>
Total Cost	3,933,567	20,742	-	3,954,309
Accumulated Depreciation	<u>(1,419,382)</u>	<u>(120,579)</u>	<u>-</u>	<u>(1,539,961)</u>
Net Book Value	<u>\$2,514,185</u>	<u>\$ (99,837)</u>	<u>\$ -</u>	<u>\$2,414,348</u>

Depreciation expense in the current year was charged to programs of the primary government as follows:

*Governmental Activities*

General Government	\$ 5,470
Public Works	1,272
Recreation and Culture	7,788
Internal Service Fund- unallocated	<u>22,990</u>
Total Governmental Activities	<u>\$ 37,520</u>

*Business-Type Activities*

Water & Sewer System	<u>\$ 120,579</u>
Total Business-Type Activities	<u>\$ 120,579</u>

**NOTE 5 - LONG-TERM DEBT**

The following is a summary of transactions that occurred in bonds payable during the year ended December 31, 2004:

	1988 GO Debt Bonds	1999 Limited Tax Sewer Bonds	1999 Unlimited Tax Sewer Bonds
Beginning Balances	\$ 60,000	\$ 120,000	\$ 959,127
New Issues	-	-	-
Debt Payments	<u>(20,000)</u>	<u>(5,000)</u>	<u>(50,000)</u>
Ending Balance	<u>\$ 40,000</u>	<u>\$ 115,000</u>	<u>\$ 909,127</u>

**Village of Beulah**  
*Notes to Financial Statements*  
For the Year Ended December 31, 2004

**NOTE 5 - LONG-TERM DEBT - continued**

Amount required to amortize long-term debt:

Year Ending	1988 GO Debt Bonds	1999 Limited Tax Bonds	1999 Unlimited Tax Sewer Bonds
2005	\$ 21,870	\$ 7,875	\$ 77,728
2006	20,940	7,750	76,353
2007	-	7,625	74,978
2008	-	7,500	73,603
2009	-	7,375	72,228
2010-2014	-	49,625	355,141
2015-2019	<u>-</u>	<u>53,750</u>	<u>370,643</u>
Total Payments	42,810	141,500	1,100,674
Less: Interest	<u>(2,810)</u>	<u>(26,500)</u>	<u>(191,547)</u>
Total	<u>\$ 40,000</u>	<u>\$ 115,000</u>	<u>\$ 909,127</u>

1988 General Obligation Water and Sewer Improvement Bonds

On February 19, 1987, the Village issued bonds in the principal amount of \$285,000 for the purpose of defraying a part of the cost of constructing Water and Sewer System improvements. The principal retirements are due November 1 with interest of payable November 1 and May 1 each year. Listed below is a schedule of annual principle requirements and interest rates:

2005 – 2006	\$ 20,000 per year	4.5875 – 4.7%
-------------	--------------------	---------------

1999 General Obligation Sewer Improvement Bonds

On August 5, 1999, the Village approved bonds in the principal amount of \$1,340,000 for the purpose of defraying a part of the cost of constructing Sewer System improvements. The bonds are payable through an annual property tax levy and special user fee sufficient to pay the interest and principal as they fall due.

1999 General Obligation Limited Tax Bonds

Interest payable October 1 and April 1 of each year, with principal (\$140,000) due on October 1 of each year as follows:

2005 – 2011	\$ 5,000 per year	2.50%
2012 – 2019	10,000 per year	2.50%

**Village of Beulah**  
*Notes to Financial Statements*  
*For the Year Ended December 31, 2004*

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**NOTE 5 - LONG-TERM DEBT - continued**

1999 General Obligation Unlimited Tax Sewer Bonds

Interest payable October 1 and April 1 of each year, with principal (\$1,200,000) due on October 1 of each year as follows:

2005 - 2008	55,000 per year	2.50%
2009 - 2011	60,000 per year	2.50%
2012 - 2014	65,000 per year	2.50%
2015 - 2017	70,000 per year	2.50%
2018 - 2019	75,000 per year	2.50%

**NOTE 6 - RETIREMENT PLANS**

A SIMPLE IRA Plan was made available to all Village employees beginning in January of 2002. Employees may contribute a portion of their annual wages before taxes to the Plan. The Village matches employee contributions up to 3% of gross wages. The contribution expense for the year ended December 31, 2004 was \$2,307.

**NOTE 7 - VACATION AND SICK LEAVE**

The Village has a formal personnel policy relating to vacation and sick leave. All vacations must be taken within twelve months of the seniority date. Each employee will be entitled to six days per year sick leave, accumulative up to ninety days. Upon termination of employment, the employee will not receive pay for any unused portion. Because of this, unused sick leave is recognized when paid, and no liability is reflected in the financial statements.

**NOTE 9 – RISK MANAGEMENT**

The Village pays an annual premium to Michigan Municipal Underwriters for its general insurance coverage through the Michigan Township Participating Plan. The Village carries coverage for property damage, liability, wrongful acts, automobile, crime, and inland marine claims. Also, the Village carries worker's compensation insurance with Accident Fund of Michigan. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Village carries health insurance with Michigan Municipal League.

REQUIRED SUPPLEMENTAL INFORMATION

**Village of Beulah**  
*Budgetary Comparison Schedule*  
*General Fund*  
*For the Year Ended December 31, 2004*

Schedule 1

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Beginning Fund Balance	\$ 635,098	\$ 635,098	\$ 635,098	\$ -
<i>Resources (Inflows)</i>				
Property Taxes-Current	140,000	140,000	145,428	5,428
Property Tax-Delinquent	15,000	15,000	19,732	4,732
Personal Property Tax	5,000	5,000	5,226	226
Personal Property Tax-Delinq.	900	900	437	(463)
Property Tax Admin Fees	2,100	2,100	2,136	36
Interest/Penalty on Taxes	100	100	1,035	935
Dock Permits	10,000	10,000	10,150	150
Zoning Fees	500	500	950	450
State Shared Revenue	30,000	30,000	32,299	2,299
Trailer Park Fees	65,000	65,000	61,767	(3,233)
Trailer Park Ice Sales	600	600	684	84
Refuse Collection Fees	10,000	10,000	10,637	637
Interest Earned	7,000	7,000	5,733	(1,267)
Rents & Royalties	6,000	6,000	6,000	-
Reimbursed Labor & Benefits	15,000	15,000	19,440	4,440
Refunds	1,000	1,000	3,003	2,003
Miscellaneous Income	750	750	699	(51)
Transfers from Other Funds	-	-	-	-
<i>Total Available for Appropriation</i>	<i>944,048</i>	<i>944,048</i>	<i>960,454</i>	<i>16,406</i>
<i>Charges to Appropriations (Outflows)</i>				
General Government				
Village Council	16,100	16,100	17,071	(971)
Elections	2,100	2,700	2,689	11
Accounting	8,500	8,500	8,940	(440)
Clerk	13,400	13,400	12,017	1,383
Treasurer	12,400	11,800	9,821	1,979
Village Hall & Grounds	58,150	58,150	25,415	32,735
Other General Government	85,000	85,000	63,144	21,856
Public Safety				
Police Department	20,000	23,666	23,665	1
Public Works				
Street Lights	12,000	12,000	11,044	956
Sanitation	20,800	17,134	12,262	4,872
Community & Economic Development				
Zoning	13,000	13,000	14,489	(1,489)
Planning Commission	300	300	-	300

*Notes to Financial Statements are an integral part of this statement*

**Village of Beulah**  
*Budgetary Comparison Schedule*  
*General Fund*  
*For the Year Ended December 31, 2004*

*Schedule 1*

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	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Parks & Recreation	44,300	44,300	40,060	4,240
Other Expenditures				
Contingencies	-	-	-	-
Transfers to Other Funds	235,000	235,000	130,000	105,000
<i>Total Charges to Appropriations</i>	<u>541,050</u>	<u>541,050</u>	<u>370,617</u>	<u>170,433</u>
 Budgetary Fund Balance	 <u>\$ 402,998</u>	 <u>\$ 402,998</u>	 <u>\$ 589,837</u>	 <u>\$ 186,839</u>

*Notes to Financial Statements are an integral part of this statement*

**Village of Beulah**  
*Budgetary Comparison Schedule*  
*Major Streets Fund*  
For the Year Ended December 31, 2004

Schedule 2

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Beginning Fund Balance	\$ 32,552	\$ 32,552	\$ 32,552	\$ -
<i>Resources (Inflows)</i>				
State Gas & Weight	25,000	25,000	31,931	6,931
Snow Removal Reimbursement	4,000	4,000	3,027	(973)
Interest & Dividends Earned	300	300	160	(140)
Miscellaneous Income	-	-	-	-
Transfers from Other Funds	50,000	50,000	25,000	(25,000)
<i>Total Available for Appropriation</i>	111,852	111,852	92,670	(19,182)
<i>Charges to Appropriations (Outflows)</i>				
Construction	30,000	30,000	-	30,000
Routine Maintenance	18,000	18,000	16,263	1,737
Traffic Services	1,000	1,000	73	927
Winter Maintenance	31,500	31,500	24,045	7,455
Administration	3,150	3,150	1,480	1,670
Contingency	-	-	-	-
Transfers to Other Funds	-	-	-	-
<i>Total Charges to Appropriations</i>	83,650	83,650	41,861	41,789
Budgetary Fund Balance	<u>\$ 28,202</u>	<u>\$ 28,202</u>	<u>\$ 50,809</u>	<u>\$ 22,607</u>

The Notes to Financial Statements are an integral part of this statement

**Village of Beulah**  
*Budgetary Comparison Schedule*  
*Local Streets Fund*  
For the Year Ended December 31, 2004

Schedule 3

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Beginning Fund Balance	\$ 4,664	\$ 4,664	\$ 4,664	\$ -
<i>Resources (Inflows)</i>				
State Gas & Weight	10,000	10,000	12,288	2,288
Snow Removal Reimbursement	5,000	5,000	3,029	(1,971)
Interest & Dividends Earned	50	50	41	(9)
Miscellaneous Income	-	-	-	-
Transfers from Other Funds	80,000	80,000	80,000	-
<i>Total Available for Appropriation</i>	99,714	99,714	100,022	308
<i>Charges to Appropriations (Outflows)</i>				
Construction	33,000	49,000	48,847	153
Routine Maintenance	18,700	18,700	18,465	235
Traffic Services	500	500	435	65
Winter Maintenance	23,150	23,150	21,287	1,863
Administration	1,450	1,450	380	1,070
Contingency	-	-	-	-
Transfers to Other Funds	-	-	-	-
<i>Total Charges to Appropriations</i>	76,800	92,800	89,414	3,386
Budgetary Fund Balance	<u>\$ 22,914</u>	<u>\$ 6,914</u>	<u>\$ 10,608</u>	<u>\$ 3,694</u>

The Notes to Financial Statements are an integral part of this statement



ADDITIONAL INFORMATION

**Village of Beulah**  
*Combining Balance Sheet*  
*Non-Major Governmental Funds*  
*December 31, 2004*

	<u>Special Revenue Funds</u>		<i>Debt</i>	<i>Total</i>
	<i>Public</i>	<i>Water</i>	<i>Service</i>	<i>Non-Major</i>
	<i>Improvement</i>	<i>&amp; Sewer</i>	<i>Fund</i>	<i>Governmental</i>
<b>Assets</b>				<i>Funds</i>
Cash	\$ 248,172	\$ 5,033	\$ 21,449	\$ 274,654
Taxes Receivable	-	-	775	775
Due from Other Funds	-	-	-	-
<i>Total Assets</i>	<u>\$ 248,172</u>	<u>\$ 5,033</u>	<u>\$ 22,224</u>	<u>\$ 275,429</u>
 <b><i>Liabilities and Fund Equity</i></b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Deferred Revenue	-	-	775	775
Due to Other Funds	-	-	-	-
Fund Balance	<u>248,172</u>	<u>5,033</u>	<u>21,449</u>	<u>274,654</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 248,172</u>	<u>\$ 5,033</u>	<u>\$ 22,224</u>	<u>\$ 275,429</u>

*The Notes to Financial Statements are an integral part of this statement*

**Village of Beulah**  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Non-Major Governmental Funds  
For the Year Ended December 31, 2004

	<u>Special Revenue Funds</u>		<i>Debt</i>	<i>Total</i>
	<i>Public</i>	<i>Water</i>	<i>Service</i>	<i>Non-Major</i>
	<i>Improvement</i>	<i>&amp; Sewer</i>	<i>Fund</i>	<i>Governmental</i>
		<i>Improvement</i>		<i>Funds</i>
<i>Revenues</i>				
Taxes and Penalties	\$ -	\$ -	\$ 7,211	\$ 7,211
Charges for Services	-	-	-	-
Interest and Rentals	3,345	28	431	3,804
Other Revenue	-	-	-	-
<i>Total Revenues</i>	3,345	28	7,642	11,015
<i>Expenditures</i>				
General Government	-	-	-	-
Public Safety	-	-	-	-
Recreational & Culture	-	-	-	-
Other	-	-	-	-
Debt Service	-	-	22,780	22,780
<i>Total Expenditures</i>	-	-	22,780	22,780
<i>Excess Revenues (Expenditures)</i>	3,345	28	(15,138)	(11,765)
<i>Other Financing Sources and (Uses)</i>				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
<i>Total Other Financing Sources and Uses</i>	-	-	-	-
<i>Excess Revenues (Expenditures) and Other Sources (Uses)</i>	3,345	28	(15,138)	(11,765)
<i>Fund Balance - Beginning Or Year</i>	244,827	5,005	36,587	286,419
<i>Fund Balance - End of Year</i>	<u>\$ 248,172</u>	<u>\$ 5,033</u>	<u>\$ 21,449</u>	<u>\$ 274,654</u>

The Notes to Financial Statements are an integral part of this statement

OTHER INFORMATION (UNAUDITED)

## **Village of Beulah**

### *Comments and Recommendations*

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We have audited the combined financial statements of the Village of Beulah for the year ended December 31, 2004 and issued our report thereon dated March 23, 2005. As part of our examination, we considered the Village's internal control structure. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole. Because the study and evaluation were only part of the overall audit plan regarding the financial statements, it was not intended to be a complete review of all of your accounting procedures and therefore, would not necessarily disclose all weaknesses in the system.

In a continuing effort to improve the accounting system, financial reporting, and overall management, we offer the following comments and recommendations for you to consider.

#### *Accounts Receivable*

We noted some postings to accounts receivable in the Water and Sewer fund were not correct. Delinquent accounts receivable receipts were posted to current accounts receivable among other miss-postings. We recommend the Treasurer complete a monthly accounts receivable reconciliation and confirm that reconciliation with the general ledger kept by the Clerk.

#### *General Obligation Debt Fund*

The 1987 bond ordinance calls for an annual tax levy sufficient to meet the current year debt service. The end of year cash balance in the debt service fund exceeds \$21,149. This surplus plus future collections at current rates project an ending deficit of approximately \$6,500, which can be levied in the last year.

#### *1999 Unlimited Tax Bank Account*

This account is used to collect taxes and make payments for Bond Issue #5146-01B. The balance in the bank account is \$58,654 and cash needs for 2005 is \$8,000. We recommend the Village suspend tax collection for this bond issue or repay \$50,000 of bonds early.

#### *1999 Limited Tax Bank Account*

This account is used to account for water and sewer debt service fees and make payments for Bond Issue #5146-01A. The balance in the bank account is \$155,300 and cash needs for 2005 is \$77,728. We recommend the Village suspend debt service fees for this bond issue or repay all of the 1999 Limited Tax Bonds.

#### *Budgeting*

We noted only two budget centers were over expended for the year. P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall amend a budget when needed to prevent over expenditure. We have seen increased care in reviewing the budgets and it is usually amended as needed. We commend the clerk and council for their efforts in this area.

#### *Water and Sewer Operating Loss*

The Water and Sewer Fund had an operating loss of approximately \$249,215 in the current year. Additionally, cash flows from operations resulted in a deficit of nearly \$117,869. The council should address this issue and develop and implement a plan to resolve future losses and cash flow deficits.

# **Village of Beulah**

## *Comments and Recommendations*

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### *Tax Collections/Disbursements*

We noted tax revenues are not allocated to current and delinquent personal property tax, property tax administration fees or interest and penalties. We recommend maintaining a schedule of these amounts or make the correct postings upon receipt. We also noted immaterial differences in amounts disbursed to amounts reported and collected. We recommend greater care be taken to properly record tax revenues.

### *Closing Comments*

We will be happy to discuss any of these recommendations with you and assist you in their implementation. As a matter of course, we will forward the necessary copies of this audit report to the State Treasury Department. We further appreciate the courtesy extended our field auditors in the conduct of this audit engagement. Should any questions arise on this audit report and the conduct of our audit, please call upon us.